

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matters of)	
)	
International Comparison and Consumer)	GN Docket No. 09-47
Survey Requirements in the Broadband)	
Data Improvement Act)	
)	
A National Broadband Plan)	GN Docket No. 09-51
For Our Future)	
)	
Inquiry Concerning the Deployment)	GN Docket No. 09-137
Of Advance Telecommunications)	
Capability to All Americans in a)	
Reasonable and Timely Fashion, and)	
Possible Steps to Accelerate Such)	
Deployment Pursuant to Section 706)	
Of the Telecommunications Act of 1996,)	
As amended by the Broadband Data)	
Improvement Act, A National Broadband)	
Plan for Our Future)	

**COMMENTS OF TRACFONE WIRELESS, INC.
NPB PUBLIC NOTICE # 19**

TracFone Wireless, Inc. ("TracFone") hereby submits its comments in response to the Commission's public notice issued in this matter.¹ In that public notice, the Commission has invited comment on a series of issues and questions regarding the federal Universal Service Fund ("USF") and intercarrier compensation as they relate to the Commission's development of a National Broadband Plan pursuant to the American Recovery and Reinvestment Act of 2009.²

As a designated Eligible Telecommunications Carrier ("ETC") in more than twenty jurisdictions, TracFone has enrolled more than 2.5 million Lifeline customers in its SafeLink Wireless® Lifeline program. As a major provider of commercial mobile radio services,

¹ Public Notice - Comment Sought on the Role of the Universal Service Fund and Intercarrier Compensation in the National Broadband Plan, DA 09-2419, released November 13, 2009.

² Pub. L. No. 111-5, 123 Stat. 115 (2009).

TracFone is a contributor to the USF. It also has proposed that the Commission conduct a pilot program for a subsidized broadband service to low-income consumers, modeled on the federal Lifeline program.³ Accordingly, TracFone welcomes the opportunity to comment on certain of the issues set forth in the November 13 public notice.

1. Size of the USF

TracFone believes that ubiquitous availability of broadband Internet access is critical in order to bring all American households into the Information Age, and to bridge the Digital Divide which places broadband Internet access beyond the reach of too many American households. Appropriate programs to promote available and affordable broadband service to all households should be included as part of the national broadband plan. However, TracFone is concerned about the continued growth of the USF -- now in excess of \$7 billion per year. In order to limit further USF growth while USF-supported programs are established for subsidize broadband deployment and availability, TracFone believes that corresponding limitations on other USF-supported programs must be included as part of the Commission's universal service reform efforts and as part of a national broadband plan.

In this regard, retargeting of high cost assistance should be among the Commission's highest priorities. TracFone recognizes that continued support for certain local exchange carriers with unusually high unavoidable costs will remain necessary. However, reforms need to be taken to limit and more efficiently target that support. Such reforms should include:

- Elimination of the anachronistic identical support rule. There is no longer any justification for subsidizing multiple providers based on the incumbent provider's operating costs;

³ Petition to Establish a Trial Broadband Lifeline/Link Up Program, WC Docket No. 03-109, CC Docket No. 96-45, filed by TracFone Wireless, Inc., October 9, 2008.

- Use of reverse auctions or another appropriate mechanism to ensure that high cost support is provided only to the entities which need the least support to provide adequate local network connectivity;
- Eliminate high cost support to carriers serving areas which are subject to competition from non-USF-supported providers.⁴

Implementation of these and other remedial steps must be taken soon so as to prevent an already-burdened USF from growing beyond the ability of the nation's telecommunications consumers to support, while also ensuring that there will be sufficient USF resources to fund affordable broadband service for all American households.

**2. Some Reform of the USF Contribution Methodology May be Appropriate.
However, Any Contribution Reform Should Include a Broadening of the
Base of USF Contributors**

TracFone has long been concerned that proposals to change the USF contribution methodology from the current system based on interstate end user revenues to a system based on working telephone numbers or connections would have the unfortunate consequence of shifting much of the USF contribution burden to low volume, often low-income, consumers of telecommunications services. Such a contribution methodology change would be especially burdensome for the thousands of consumers who rely on prepaid wireless services like those provided by TracFone.

In 2008, as part of a proposal for comprehensive USF reform, the Commission proposed a version of a working telephone numbers-based USF contribution methodology which had as an important component a "USF By the Minute" plan to govern USF contributions by providers of prepaid wireless services. Under that plan, USF contribution assessments on prepaid wireless

⁴ A proposal to limit high cost support in such circumstances was recently made by the National Cable & Telecommunications Association. See Reducing Universal Service Support in Geographic Areas that are Experiencing Unsupported Facilities-Based Competition (Petition for Rulemaking), filed by the National Cable & Telecommunications Association, November 5, 2009.

providers would be calculated by dividing the residential per-number assessment amount (*e.g.*, \$1.00 per number per month) by the monthly average number of minutes used by post-paid wireless customers. That per minute number would then be multiplied by the number of monthly prepaid wireless minutes generated by the provider.⁵ The provider's USF contribution obligation would be based on the result of the calculation.

Although that proposal was included in a comprehensive USF/intercarrier compensation reform proposal which was not adopted, the USF by the Minute portion of the plan was supported by various commenters including AT&T and Verizon, and was endorsed by all then-sitting commissioners. If the Commission deems it necessary to replace the current revenues-based contribution methodology with a numbers-based methodology as part of a comprehensive National Broadband Plan, TracFone respectfully urges that the Commission retain the USF By the Minute plan for prepaid wireless services as set forth in the 2008 proposal.

Whatever contribution methodology is embraced by the Commission, all providers of services which derive revenues from services which use telecommunications should be required to contribute to the support of universal service. Specifically, if, as many have advocated, the USF should be expanded to provide support for broadband, then it would be an appropriate *quid pro quo* to require that providers of broadband services, including, for example, high speed Internet access service provided over cable television infrastructure, telecommunications carrier digital subscriber lines, satellite connectivity, or other technology, should be required to contribute to the USF as well. As with services currently supported by the USF, those who use broadband services and who can afford to pay for those services should be subject to additional

⁵ See, *e.g.*, In the Matter of High-Cost Universal Service Support, et al (Order on Remand and Report and Order and Further Notice of Proposed Rulemaking), FCC 08-262, released November 5, 2008, at Appendix A (Chairman's Draft Proposal - Order on Remand and Report and Order and Further Notice of Proposed Rulemaking) at ¶¶ 134-139.

assessments to support subsidized broadband services by those who cannot afford those services without the subsidies from the USF.

If the USF is to support construction of broadband infrastructure and subsidization of broadband services for those whose economic conditions necessitate that they be subsidized, then it seems fair, equitable and appropriate that those entities who provide such services -- and ultimately their consumers who do not need subsidization should contribute to the support of universal service, including universal service fund-supported broadband service.

3. The Commission Should Establish a Program to Subsidize Affordable Broadband Service for Low-Income Households Modeled on Lifeline and Link-Up

As noted above, TracFone has long been a proponent of establishment of a program based on Lifeline and Link-Up to make affordable broadband Internet access available to low-income households. In order to better understand the extent of broadband access to low-income households and to identify barriers to more extensive broadband penetration, TracFone recently commissioned a study. The survey was conducted on TracFone's behalf by Options Marketing Research & Consulting, Inc. Options surveyed a sample of 1,000 SafeLink Wireless® Lifeline customers.

Among the study's findings were the following:

- 86% of SafeLink Wireless® customers do not have any Internet access at home;
- Of those who do have Internet access, only 10% have broadband access;
- More than one-half of those customers (52%) would like to have broadband Internet access at their homes, but of those, 50% indicated that the service would have to be free (38%) or less than \$10 per month (12%) for the service to be affordable to them;
- Of those who desire broadband access, 50% do not have computers or other Internet access devices in their homes.

For the Commission's information, a copy of the study is attached to these comments.

The study confirms what TracFone has long known -- most low-income households do not enjoy

broadband access today and economic unavailability, perhaps more so than geographic unavailability of broadband service, is the primary barrier to greater deployment and utilization of broadband services. Also, unlike voice telephone service, the cost of devices needed to use the service constitutes a substantial economic barrier to broadband availability. Unlike wireline and wireless telephone handsets which can be acquired for as little as \$10.00, broadband Internet access devices -- either desktop computers or laptops -- are expensive -- rarely less than \$300. For a household getting by on a modest income, the price of a suitable broadband access device is a barrier to obtaining and using such services.

For that reason, it is TracFone's position that any support program for low-income household access to broadband must include as a component a mechanism for subsidization of a suitable Internet access device such as a desktop or laptop computer. In its October 2008 proposal, TracFone suggested that its pilot program include a one time subsidy of up to \$300 per household to offset the cost of a basic Internet access device. Based upon prices of currently-available devices, TracFone believes that \$300 would cover most, if not all, of the cost of a suitable broadband Internet access device.

Enrollment eligibility should be based either on participation in qualifying low-income assistance programs (*e.g.*, Food Stamps, Medicaid, Temporary Assistance for Needy Families, Low Income Home Energy Assistance) or on income (*e.g.*, total household income may not exceed 150 percent of the Federal Poverty Guidelines). Basing Lifeline eligibility on participation in qualifying programs and income has worked well for the Lifeline program and serves as a useful model for eligibility for a comparable broadband support program.

However, TracFone strongly recommends that determination of eligibility to offer such programs and to receive support should be made only by the Commission, not by state

commissions. Unlike Lifeline -- a federally-supported program to offset the cost of local telephone service (historically, an intrastate service), a Lifeline/Link-Up-type program to support broadband access would be part of the National Broadband Policy under development by the Commission. For that reason, TracFone believes that the program should be subject to regulations established by the Commission, not by the states. Pursuant to Section 254(f) of the Communications Act,⁶ states may establish their own universal service rules so long as they are not inconsistent with the federal rules. Since the broadband program would be a national program, TracFone does not believe that it would be appropriate for state to establish their own broadband eligibility, certification, and enrollment requirements, since such differing requirements could impede the ability of many providers to offer broadband support programs on a national basis.

Also, it has been TracFone's experience that in many states (not all states), the ETC designation process is prolonged, cumbersome, and delays availability of Lifeline-supported services to those who need such support. Moreover, some states have taken an expansive view of the scope of their authority to subject ETC applications to public interest determinations. Whether or not state public interest analyses and conclusions are appropriate for the Lifeline ETC designation process for voice telephony, they are wholly inappropriate for the National Broadband Policy.

Companies participating in a national broadband support program modeled on the Lifeline and Link-Up programs need not be required to be Eligible Telecommunications Carriers designated by State commissions pursuant to Section 214(e)(2) of the Communications Act⁷ or

⁶ 47 U.S.C. § 254(f).

⁷ 47 U.S.C. § 214(e)(2).

by the Commission pursuant to Section 214(e)(6) of the Act.⁸ However, they should be subject to Commission-promulgated qualification requirements and to appropriate rules governing certification and verification of customer eligibility. As part of the Commission's approval of service provider participants in a Lifeline-type broadband support program, the Commission should require all participating providers to engage in reasonable and appropriate outreach efforts to inform qualifying low-income households of the availability of the program. If TracFone's experience as an ETC providing Lifeline service demonstrates nothing else, it has shown that outreach and marketing work. Historically, Lifeline has been a very underutilized program with national participation rates approximating only thirty percent -- and with some states having participation rates below ten percent.⁹ In every state where TracFone offers SafeLink Wireless® as a designated ETC, it has increased Lifeline enrollment by more than one hundred percent. In some states, such as Virginia, by as much as 672 percent.

These enrollment levels have been achieved through aggressive and creative marketing and advertising targeted at the portions of the population who qualify for Lifeline. These efforts have included television and radio advertising in conjunction with programs and during periods of the day when potential customers are likely to be in the listening/viewing audience; print advertising in publications targeted to low income and ethnic markets; some billboard and other display advertising, and general outreach efforts, sometimes in conjunction with public assistance agencies and with non-profit organizations. The Commission should avoid prescribing specific marketing requirements, but it should make clear that companies participating in a broadband assistance program like that proposed by TracFone will be expected

⁸ 47 U.S.C. § 214(e)(6).

⁹ See, e.g., *Lifeline and Link-Up (Report and Order and Further Notice of Proposed Rulemaking)*, 19 FCC Rcd 8302 (2004), at Appendix K - Section 1: Baseline Information Table 1.A. Baseline Lifeline subscription information (Year 2002).

to expend significant efforts to educate consumers, especially low-income households, about the programs' availability.

Conclusion

For the reasons described in these comments, TracFone respectfully recommends that a broadband access support program modeled on the federal Lifeline and Link-Up programs, but subject exclusively to Commission oversight and regulations, should be established as part of the National Broadband Plan.

Respectfully submitted,

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December 7, 2009

Attachment



OPTIONS

Marketing Research & Consulting, Inc.

Internet Access, Usage and Interest **Among SafeLink Users** **September 2009**

Topline Report

Prepared for:



October 13, 2009

3	Research Overview
4	Management Summary
5	Broadband Access and Affordability
9	Broadband Uses/Benefits
13	Surveyed SafeLink User Profile

Research Objectives and Research Design

SafeLink management recently commissioned a survey of 1000 SafeLink Wireless users to establish their:

- Internet access status
- Access to and interest in obtaining broadband service at home
- Current or potential Internet usage behavior

To meet these information needs a short telephone survey of SafeLink Wireless users was conducted between August 30 and September 4, 2009. SafeLink users qualified to participate in the survey if they:

- Had no Internet access at home and were interested in obtaining broadband service, or
- Had dialup access at home and were interested in obtaining Broadband service, or
- Had Internet access outside of the home.

Those who had Internet access outside of the home (73%) were asked:

- What type of access they had (dialup or broadband), where their access originated, how they used the Internet and whether or not they had an email address

Those who wanted broadband service at home (56%) were asked:

- How they would use the Internet, what price would be considered affordable for monthly broadband access, whether or not they had a computer at home and what price would be considered affordable for a computer if they did not have one

On the following pages, the survey results are outlined for the Total Sample of SafeLink users as well as the following subgroups:

- Those with Internet access
- Those without Internet access

This study was designed and executed by Options Marketing Research and Consulting at the request of TracFone Wireless. Any questions can be directed to Robin Naismith, VP, at 949-219-0520, ext. 113 or rnaismith@options-mrc.com.

Summary of Findings

A September 2009 study of 1000 SafeLink Users to identify Broadband access and affordability concluded the following:

- 86% of SafeLink Users do not have any access to the Internet at home.
- A relatively small proportion, 10%, have Broadband access at home.
- 52% of SafeLink users would like to have Broadband access at home.
- Among those who would like to have Broadband access, 50% indicated they would need Broadband access to free or extremely low in cost: 38% indicated it would have to be free and another 12% indicated it would have to be \$10 or less per month.
- Over half of those who want Broadband access do not have computers. Among all SafeLink users: 32% want Broadband and do not have a computer and 20% want Broadband and do have a computer.
- Among those who want Broadband but do not have a computer, 54% indicated they could not afford a computer at any cost at this time ("would have to be free").

From a list, SafeLink Users indicated they would use their Broadband in the following ways:

- 88% Educational purposes
- 81% Send or receive email
- 77% Search for job or employment opportunities
- 71% Entertainment
- 60% Online commercial transactions

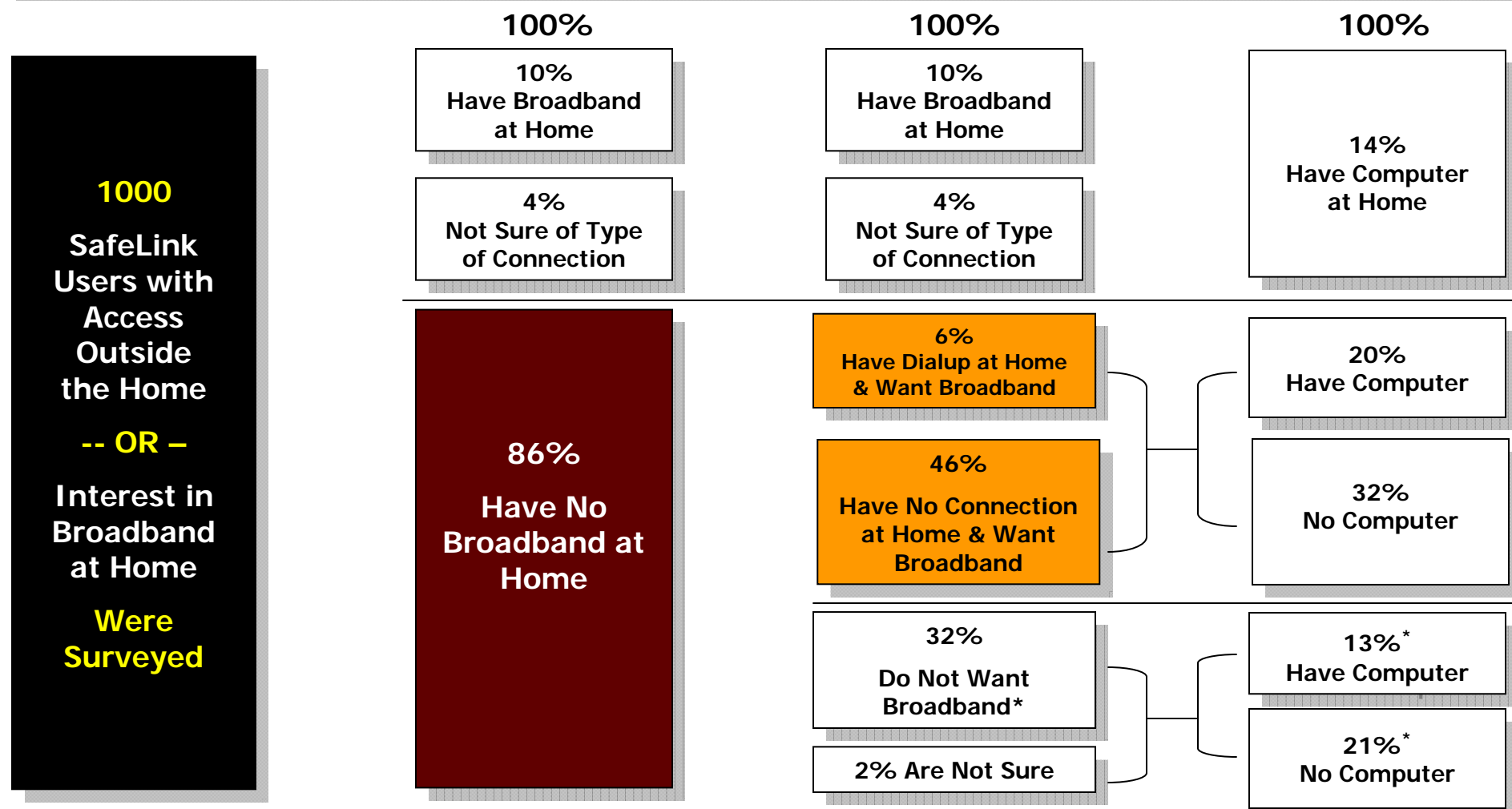
Broadband Access and Affordability

Home Broadband Status, Interest and Computer Status

86% of SafeLink Users do not have Broadband access at home. 10% do, and 4% are not sure of their service.

52% would like to have Broadband access at home.

32% would like to have Broadband access at home but do not own a computer.

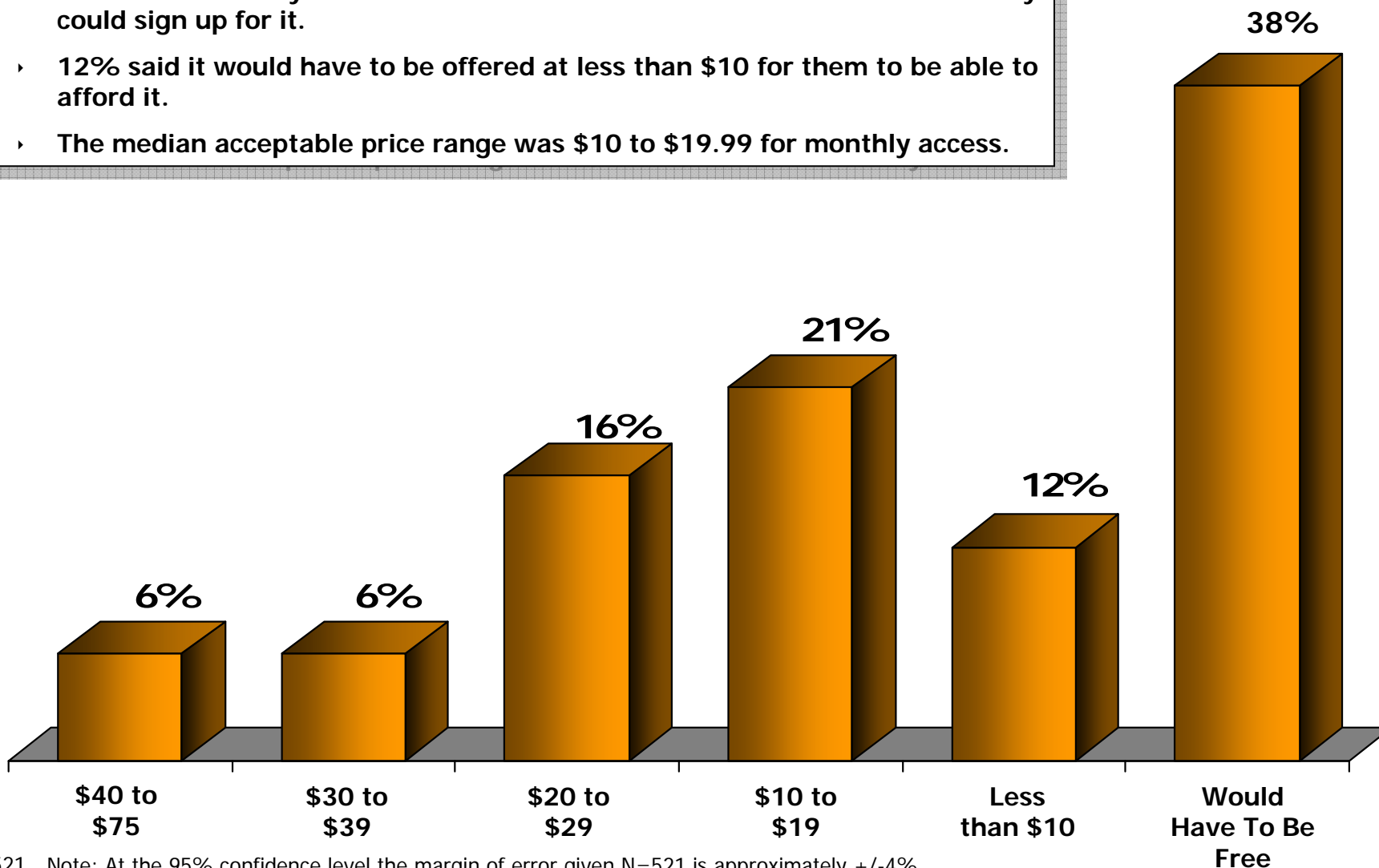


Note: At the 95% confidence level, the margin of error given N=1000 is approximately +/-3%. * Derived

At What Price Would Broadband Access Become Affordable Enough for You to Sign Up?

Among those who would like to have Broadband at home (52%),

- 38% said monthly Broadband service would have to be free before they could sign up for it.
- 12% said it would have to be offered at less than \$10 for them to be able to afford it.
- The median acceptable price range was \$10 to \$19.99 for monthly access.

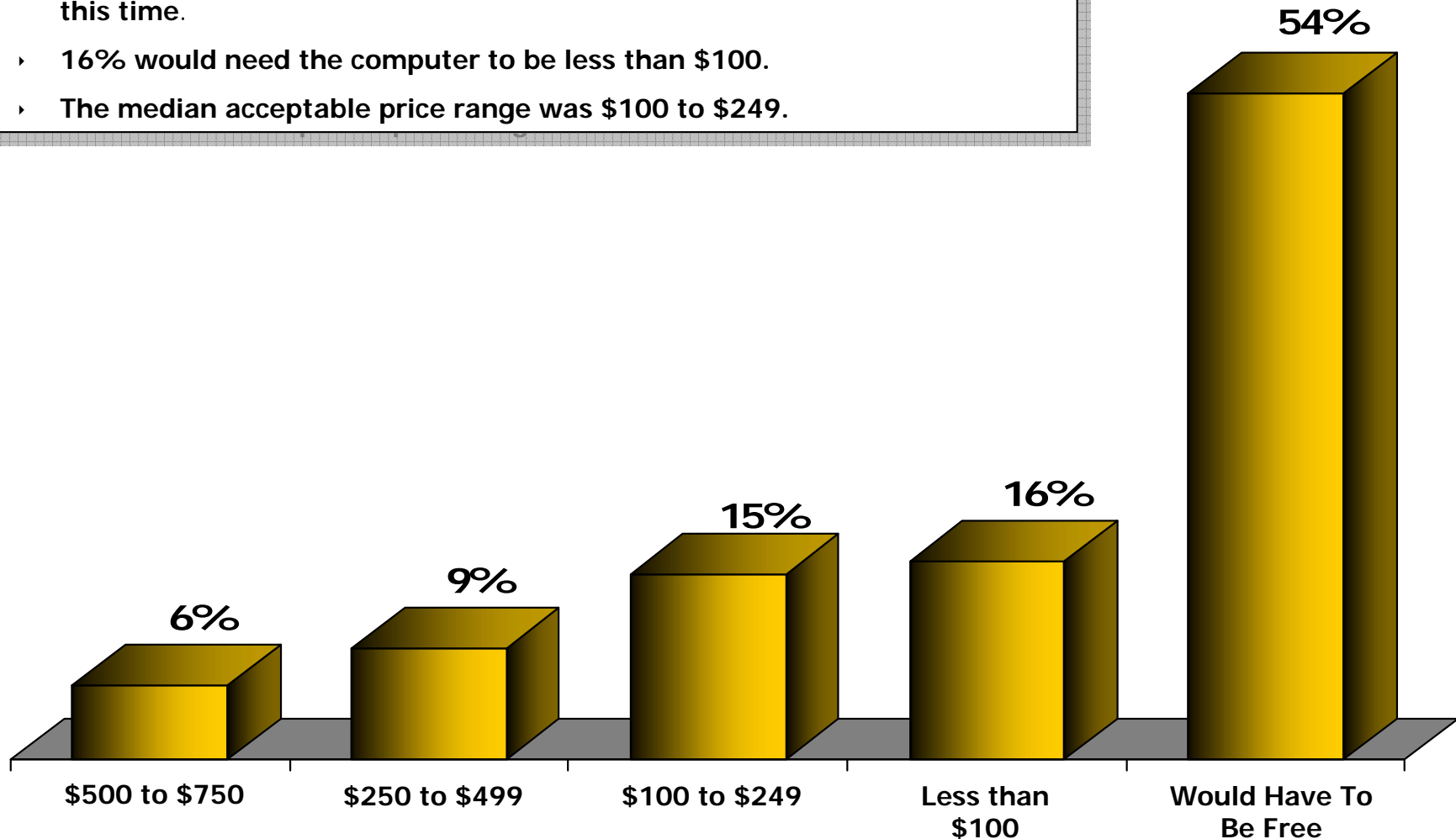


N=521 Note: At the 95% confidence level the margin of error given N=521 is approximately +/-4%.

At What Price Would a Home Computer Become Affordable Enough for You to Buy?

Among those who do not have a computer at home (32%):

- 54% said a computer would have to be free, they cannot afford one at this time.
- 16% would need the computer to be less than \$100.
- The median acceptable price range was \$100 to \$249.

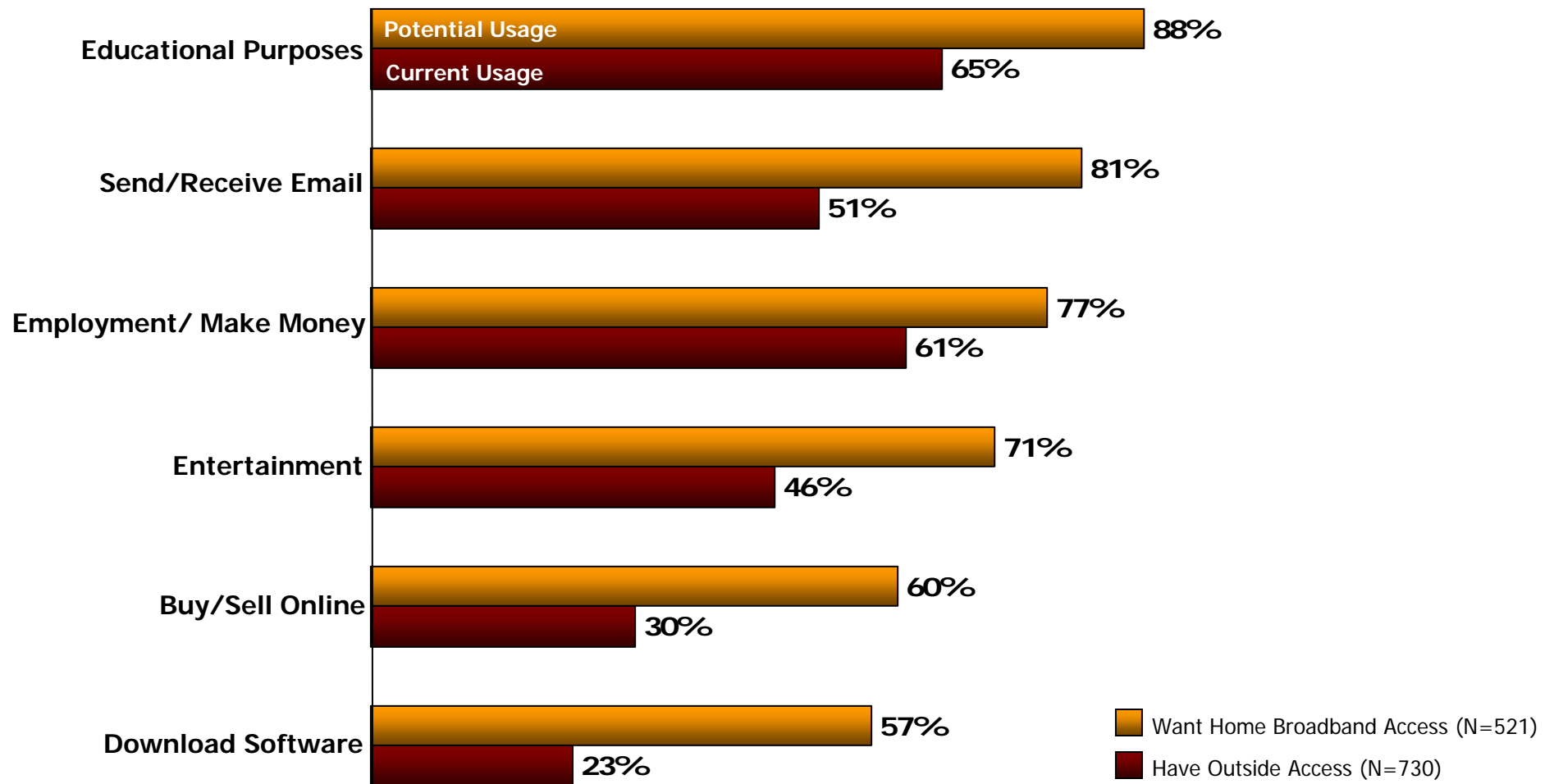


N=322 Note: At the 95% confidence level the margin of error given N=322 is approximately +/-6%.

Broadband Uses/Benefits

Internet Usage: Current vs. Expected Usage

When compared to outside-the-home usage behavior, those who want Broadband access at home indicated significantly broader potential usage of the Internet overall and heavier usage in each measured area. Also, those who want Broadband at home were most likely to indicate they would use it for Educational purposes (88%).



Note: At the 95% confidence level the margin of error given the sample sizes of both groups is approximately +/-4%.

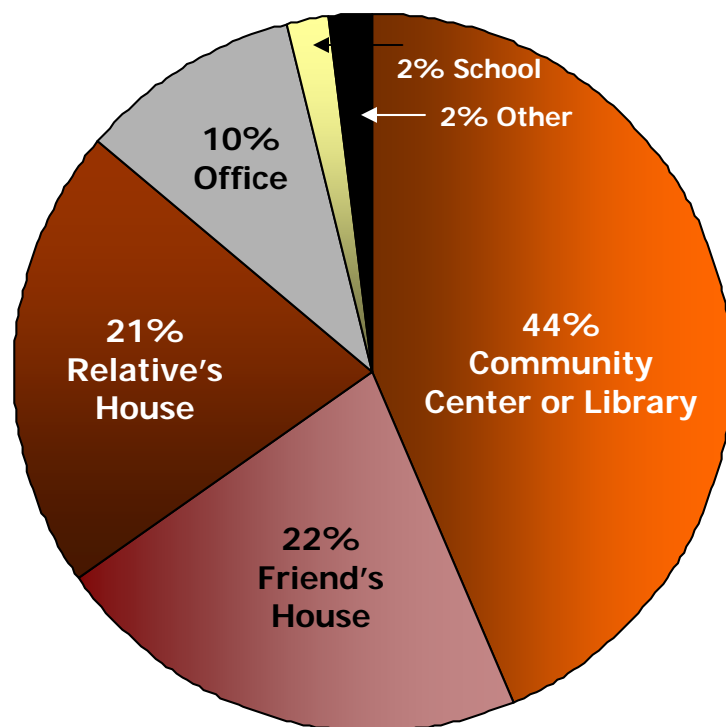
Location of Access Outside of Home

Outside Access: Location of Service and Email Address Status

Among SafeLink users with outside Internet access (73%), community centers/libraries and friend's and relative's houses were the most frequent access points.

62% have an email address.

Where is the computer that you use outside the home? (N=731)



% Have Email Address		N=731
Yes		62
No		38

Note: At the 95% confidence level the margin of error given N=731 is approximately +/-4%.

SafeLink User Profile

SafeLink User Profile

Age, Gender and Children in Household

The average surveyed SafeLink customer was a minority female in her late 40's.

SafeLink Customers	
% Indicating...	N=1000
Average Age	46 years
Under 35	23
35 to 54	49
55 Over	28
Female	77
Have Children Under 18	49
At the 95% confidence level, the margin of error given N=1000 is approximately +/-3%.	



Note: At the 95% confidence level the margin of error given N=731 is approximately +/-4%.